

Economic Conditions

March 2002

Civilian Labor Force

- To date, the current recession has been relatively mild by historic standards. Virginia's January 2002 unemployment rate of 4.4 percent is 46 percent less than the peak unemployment rate experienced during the last recession a decade ago. The national unemployment rate of 6.3 percent in January is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 163,500 Virginia workers were unemployed in January 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- Despite signs pointing to a relatively mild recession, 82,000 more Virginians were unemployed in January than a year earlier—an increase of 101 percent.
- Three of Virginia's eight MSA's had December unemployment rates above the statewide average—Danville (9.0 percent), Lynchburg (5.0 percent), and Bristol (4.5 percent).
- With 31 percent of Virginia's population, Northern Virginia accounted for 86 percent of the state's employment growth from December 2000 to December 2001. Without the effect of Northern Virginia's low unemployment rate, Virginia's unemployment rate would be 20 percent higher.
- Virginia's January unemployment rate was lower than all nearby states (North Carolina, South Carolina, Kentucky, Tennessee, West Virginia, and Maryland) with the exception of Georgia, which was the same.

				Jan. 01 to Jan. 02	
		January 02	January 01	Net Change	% Change
Labor Force	VA	3,720,611	3,652,866	67,745	1.9%
	US	141,074,000	141,049,000	25,000	0.02%
Employment	VA	3,557,150	3,571,532	-14,382	-0.4%
	US	132,139,000	134,462,000	-2,323,000	-1.7%
Unemployment	VA	163,461	81,334	82,127	101.0%
	US	8,935,000	6,587,000	2,348,000	35.6%
Unemployment rate	VA	4.4%	2.2%	----	100.0%
	US	6.3%	4.7%	----	34.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonagricultural Employment

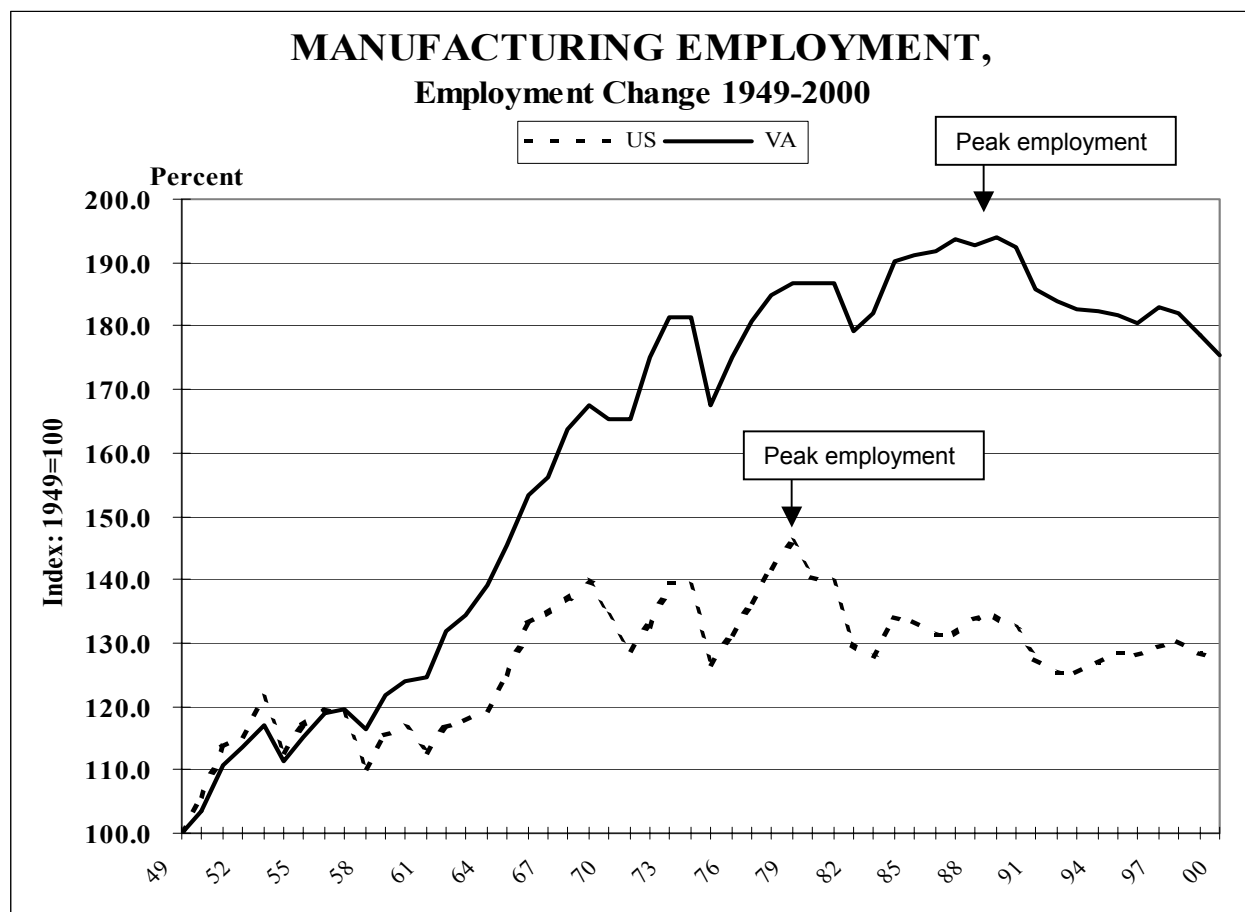
- Nonagricultural employment declined by 67,500 jobs from December 2000 to December 2001. Preliminary January data shows a loss of 43,200 nonagricultural jobs from a year earlier.
- Mining; finance, insurance, and real estate; and government were the only sectors of the Virginia economy to add jobs from December 2000 to December 2001.
- The largest job losses in Virginia were in manufacturing (28,700 jobs), wholesale and retail trade (16,600 jobs), services (15,900 jobs), and transportation and public utilities (11,900 jobs).
- Since 1990, services has added more jobs than any other sector of the Virginia economy—420,600—and has grown at a faster rate than any other sector—57.5 percent.

	Current				Historic			
			Dec. 00-Dec. 01				Dec. 90-Dec. 01	
	Dec. 01	Dec. 00	Net Change	%		Dec. 90	Net Change	%
Total	3,529,300	3,596,800	-67,500	-1.9%		2,903,000	626,300	21.6%
Mining	10,200	9,800	400	4.1%		14,800	-4,600	-31.1%
Construction	208,800	210,400	-1,600	-0.8%		168,300	40,500	24.1%
Manufacturing	362,200	390,900	-28,700	-7.3%		418,800	-56,600	-13.5%
Trans. and public utilities	179,800	191,700	-11,900	-6.2%		152,200	27,600	18.1%
Wholesale and retail trade	780,500	797,100	-16,600	-2.1%		677,300	103,200	15.2%
Finance, ins., and real estate	194,100	193,000	1,100	0.6%		154,600	39,500	25.5%
Services	1,151,500	1,167,400	-15,900	-1.4%		730,900	420,600	57.5%
Government	642,200	636,500	5,700	0.9%		586,100	56,100	9.6%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Overview

- In December 2001, manufacturing employment in Virginia reached its lowest level since May 1971.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. Since then it declined 16.3 percent, losing 70,300 jobs, with textiles and apparel accounting for 40,900 of the total. In comparison, manufacturing declined nationally by 12.3 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.2 million jobs through December 2001.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 37 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 7.3 percent in December from a year earlier. Among neighboring states, only two (North and South Carolina) had greater percentage losses. Five states (Georgia, Tennessee, Kentucky, West Virginia, Maryland) had smaller losses.



Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 16,900 jobs over the past twelve months, a decline of 8.2 percent.
- Job losses were heaviest in three durable goods industries—electronic equipment (8,100), furniture (3,600), and industrial machinery (2,100). The largest percentage losses were also in electronic equipment (27.4 percent) and furniture (17.1 percent).
- The only durable goods industry to add jobs over the past twelve months was transportation equipment, which grew by 500 jobs.
- It is important to separate the short-term effects of the current recession from long-term trends. Electronic equipment has been steadily declining since 1985, due largely to the impact of foreign competition. Since 1990 alone, this industry has lost 12,100 jobs, a 36.0 percent decline, with no end in sight. Furniture, also feeling the effects of foreign competition, lost 5,200 jobs (a 22.9 percent loss) during the same period. In all likelihood the weight of foreign imports will fall heavily on this industry in the years to come.
- Transportation equipment was also a major job-loss industry since 1990, employment declining by 3,700 jobs. However, most of these jobs were lost in the immediate aftermath of the end of the Cold War as orders for naval vessels were drastically cut back.

	Current				Historic			
			Dec. 00 –Dec. 01				Dec. 90-Dec. 01	
	Dec. 01	Dec. 00	Net Change	%		Dec. 90	Net Change	%
Total manufacturing	362,200	390,900	-28,700	-7.3%		418,800	-56,600	-13.5%
Durable goods	188,200	205,100	-16,900	-8.2%		202,800	-14,600	-7.2%
Lumber	26,600	26,900	-300	-1.1%		23,300	3,300	14.2%
Furniture	17,500	21,100	-3,600	-17.1%		22,700	-5,200	-22.9%
Stone, clay, glass	12,200	12,900	-700	-5.4%		13,800	-1,600	-11.6%
Primary metals	9,900	11,200	-1,300	-11.6%		11,200	-1,300	-11.6%
Fabricated metals	17,600	18,000	-400	-2.2%		17,900	-300	-1.7%
Ind. machinery	26,800	28,900	-2,100	-7.3%		22,600	4,200	18.6%
Electronic equip.	21,500	29,600	-8,100	-27.4%		33,600	-12,100	-36.0%
Trans. equip.	41,100	40,600	500	1.2%		44,800	-3,700	-8.3%
Instruments	10,700	11,300	-600	-5.3%		9,900	800	8.1%
Misc. mfg.	4,300	4,600	-300	-6.5%		3,000	1,300	43.3%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 11,800 jobs over the past twelve months, a decline of 6.4 percent.
- All Virginia nondurable goods industries lost jobs over the past 12 months with the exception of leather and petroleum, which remained unchanged.
- The heaviest job losses of the past twelve months were experienced in textiles, rubber and plastics, printing, chemicals, and apparel, which lost a combined total of almost 10,000 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries is especially grim. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have been losing jobs since the early 1970s with combined losses totaling approximately 58,000 jobs. However, almost 60 percent of these jobs were lost since 1990. Given current trends the apparel industry will virtually cease to exist as a viable industry in Virginia within the next decade, if not sooner.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,000 jobs, 10,300 since 1990 alone.

	Current				Historic			
			Dec. 00 – Dec. 01				Dec. 90–Dec. 01	
	Dec. 01	Dec. 00	Net Change	%		Dec. 90	Net Change	%
Total manufacturing	362,200	390,900	-28,700	-7.3%		418,800	-56,600	-13.5%
Nondurable goods	174,000	185,800	-11,800	-6.4%		216,000	-42,000	-19.4%
Food products	39,400	39,800	-400	-1.0%		37,400	2,000	5.3%
Tobacco products	8,600	9,300	-700	-7.5%		14,000	-5,400	-38.6%
Textiles	22,000	25,500	-3,500	-13.7%		37,600	-15,600	-41.5%
Apparel	8,600	9,700	-1,100	-11.3%		26,000	-17,400	-66.9%
Paper	16,000	16,900	-900	-5.3%		17,000	-1,000	-5.9%
Printing	36,700	38,200	-1,500	-3.9%		35,200	1,500	4.3%
Chemicals	19,100	20,600	-1,500	-7.3%		29,400	-10,300	-35.0%
Rubber/plastics	22,600	24,800	-2,200	-8.9%		16,900	5,700	33.7%
Petroleum/leather	1,000	1,000	0	0.0%		2,500	-1,500	-60.0%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 100.2 percent increase followed by engineering and management services, 50.4 percent, and communications, 32.0 percent. This compares with 21.6 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Dec. 00-Dec. 01				Dec. 90-Dec. 01	
	Dec. 01	Dec. 00	Net Change	%		Dec. 90	Net Change	%
Nonmanufacturing	3,167,100	3,205,900	-38,800	-1.2%		2,484,200	682,900	27.5%
Communications	59,000	62,600	-3,600	-5.8%		44,700	14,300	32.0%
Business services	318,700	353,500	-34,800	-9.8%		159,200	159,500	100.2%
Engineering and management svcs	143,200	139,600	3,600	2.6%		95,200	48,000	50.4%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Consumer Price Index

- On a seasonally adjusted basis the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in January. The energy and food indices increased 0.9 percent and 0.3 percent, respectively. If food and energy are excluded, the CPI-U rose 0.2 percent.
- Medical care costs increased 0.5 percent from December with charges for hospital services rising 0.9 percent.

Current			Historic		
Jan. 02	% Change, Dec. 01 to Jan. 02	% Change Jan. 01 to Jan. 02	% Change Jan. 90 to Jan. 01	% Change Jan. 80 to Jan. 01	% Change Jan. 70 to Jan. 01
177.1	0.2%	1.1%	39.0%	127.6%	368.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

Finance

- The federal funds rate, one of the most frequently quoted and misunderstood financial indicators, is at its lowest level in almost four decades.
- The Dow Jones, S&P 500, and NASDAQ are currently 12 percent, 26 percent, and 64 percent, respectively, below their all-time highs.

	March 02	% Change, 1 Month	% Change, 3 Months	% Change, 6 Months	% Change, 1 Year
DJIA	10369	4.7%	6.2%	3.7%	-0.8%
S&P 500	1132	0.9%	0.2%	-0.1%	-8.8%
NASDAQ	1803	-5.7%	-5.4%	1.8%	-17.4%

	March 02	Sept. 01	March 01
Federal funds rate	1.75%	3.50%	5.50%
Treasury – 5 year	4.29%	4.55%	4.63%
Treasury – 10 year	4.97%	4.98%	4.86%
Bank prime loan rate	4.75%	6.50%	8.50%

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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